

INFORMATION BULLETIN #59

INCOME TAX

December 2006

(Replaces Information Bulletin 59 dated January 2003)

DISCLAIMER: Information Bulletins are intended to provide non-technical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is inconsistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, information provided in this Bulletin should only serve as a foundation for further investigation and study of the current law and procedures related to its subject matter.

SUBJECT: Summary of Tax Credits Available to Taxpayers Who File Income Tax Returns

REFERENCES: IC 6-2.5-3-5; IC 6-3-3; IC 6-3-4-8; IC 6-3.1; and IC 6-5.5-2

INTRODUCTION: There are numerous Indiana tax reduction credits available for individual, fiduciary, partnership and corporate taxpayers. This bulletin classifies all the various credits into a combined summary. It includes the credits that may be claimed when the annual income tax return or other applicable tax form is filed. In the case of partnerships, limited liability partnerships, S corporations and limited liability companies, some credits are allocated to pass through to the partners, shareholders or members of the entity.

You may obtain detailed information on selected credits by searching on the Department's Web page at www.in.gov/dor/reference/bulletins/index.html

I. TYPES OF CREDITS

Credits are divided into two types:

- Nonrefundable credits that may be applied against certain tax liabilities.
- Refundable credits, which are available for a refund once all tax liabilities are offset.

Type 1 - Nonrefundable Credits and Carryovers

Some of the nonrefundable credits may only be used to reduce specific current-year tax liabilities. The unused portion of the credit cannot be refunded or applied against other outstanding tax liabilities. However, there are other nonrefundable credits with provisions stipulating that if the credit exceeds the

total of the current amount of tax due, the unused portion may be carried forward to the taxpayer's future tax liabilities for the same tax type.

Type 2 – Refundable Credits

Refundable credits have a limited period of time in which they may be claimed in order to be eligible for refund. Also, at the taxpayer's election, all or portion of a current year's eligible refund can carryover, in lieu of an estimated tax payment, toward the next year's income tax return liability. However, the Department may reduce or apply an eligible refund toward the taxpayer's other unpaid tax liabilities according to IC 6-8.1-9-2 and for a debtor's offset of refunds under IC 6-8.1-9.5.

II. CREDITS AVAILABLE TO TAXPAYERS

The following chart titled Tax Liability Credits on page 4, lists all of the available nonrefundable and refundable credits. Each credit is classified into one of these five categories:

Type 1 Credits

- 1-A. Nonrefundable credits for certain charitable contributions made within Indiana.
- 1-B. Nonrefundable credits for qualified investments made within Indiana.
- 1-C. Nonrefundable credits for income and business activities of Indiana taxpayers.

Type 2 Credits

- 2-D. Refundable credits for personal and business activities of Indiana taxpayers.
- 2-E. Refundable credits for estimated and withholding taxes paid to Indiana.

Each credit has been assigned a three-digit code or label identifier to be used when claiming credits on your tax return. The chart includes these codes and a listing of required attachments for claiming the credit on your tax return.

For filing requirements, eligibility, amount of credit, effective dates, carry back/carry forward application and other detailed information, see the specific income tax information bulletin issued by the Department of Revenue, or contact the agency administering the tax credit for instructions. Claims for credits should be supported by filing all applicable schedules and forms, or by a separate calculation and certification from the appropriate agency of the amounts eligible for credit.

Restrictions and Limitations

The credits are to be applied against the claimant's tax due in the following order:

- Credits classified as nonrefundable credits are to be applied first.
- Those credits with carryover allowances are to be applied second.
- Refundable credits are to be applied last.

The type of tax to which the credit may be applied is also listed. If the credit can be applied against more than one tax type, the additional tax types are listed in the order to be applied. See page 3 for the key to the abbreviation of tax types.

Additional restriction - A taxpayer, pass-through entity, shareholder, partner or member of a pass-through entity cannot be granted more than one tax credit for the same project. This restriction applies to the following credits:

- Capital Investment Tax Credit (804).
- Community Revitalization Enhancement District Tax Credit (808).
- Enterprise Zone Investment Credit (813).
- Hoosier Business Investment Tax Credit (820).
- Industrial Recovery Tax Credit (824).
- Military Base Investment Cost Credit (827).
- Military Base Recovery Tax Credit (826).
- Venture Capital Investment Tax Credit (835).

Amount of Credit Available to be Granted: Limitations

- **Unlimited** – There is no limit to the amount of grant money available other than the provisions governing the calculation of an allowable credit up to the amount of tax available to be offset.
- **Limited** – The sum of all approved credits are limited to either the annual amount of the grant money available or to the total of all credits that are allowed by the tax credit program.

Key for Tax Types Offset

<u>Identifier</u>	<u>Tax Type</u>	<u>Indiana Code</u>
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Note: Insurance premium tax, inheritance tax and property tax are not listed taxes under IC 6-8.1-1-1.

AGIT	Adjusted Gross Income Tax *	IC 6-3-1 through 6-3-7
CAGIT	County Adjusted Gross Income Tax	IC 6-3.5-1.1
CEDIT	County Economic Development Income Tax	IC 6-3.5-7
COIT	County Option Income Tax	IC 6-3.5-6
FIT	Financial Institutions Tax*	IC 6-5.5
INSUR	Insurance Premium Tax *	IC 27-1-18-2
SALES	State Gross Retail and Use Tax – Sales tax due on non-exempt purchases	IC 6-2.5
URT	Utility Receipts Tax *	IC 6-2.3
USUT	Utility Services Use Tax	IC 6-2.3-5.5

** May include other Indiana State taxes and fees collected on the annual return.*

Tax Liability Credits Chart

Nonrefundable Credits

Type 1-A Credit for certain charitable contributions within Indiana

<u>Identifier</u>	<u>Tax Liability Credits</u>	<u>Tax Offset</u>	<u>Required Attachment</u>
<i>Unlimited (No dollar limit to the total amount of credits granted.)</i>			
CC 807	Charitable Contributions to Higher Education Institutions (College Credit)	AGIT	Schedule CC-40
834	Twenty-First Century Scholars Program Support Fund	AGIT	Schedule TCSP-40
<i>Limited (Approved credits limited to the amount of grant money available.)</i>			
823	Individual Development Account Credit	AGIT & FIT	Approved Form IDA-20; IN K-1 pass-through
828	Neighborhood Assistance Credit	AGIT & FIT	Approved Form NC-20; IN K-1 pass-through

Type 1-B Credit for qualified investments (expenditures) made within Indiana

<u>Identifier</u>	<u>Tax Liability Credits</u>	<u>Tax Offset</u>	<u>Required Attachment</u>
<i>Unlimited (No dollar limit to the total amount of credits granted.)</i>			
800	Airport Development Zone Employment Expense Credit	AGIT, INSUR & FIT	(ADZ) Sch. EZ 1, 2, 3; IN K-1 pass-through
801	Airport Development Zone Investment Cost Credit (For individuals & LLC)	AGIT	Certification by IEDC; IN K-1 pass-through
804*	Capital Investment Credit	AGIT, INSUR & FIT	Proof of investment; IN K-1 pass-through
806	Coal Gasification Technology Investment Credit	AGIT, FIT, INSUR & URT	Certification by IURC; IN K-1 pass-through
808*	Community Revitalization Enhancement District Credit (CRED credit)	AGIT, CAGIT, COIT, CEDIT, INSUR & FIT	Certification by IEDC; IN K-1 pass-through
812	Enterprise Zone Employment Expense Credit	AGIT, INSUR & FIT	Schedule EZ 1, 2, 3; IN K-1 pass-through
813*	Enterprise Zone Investment Cost Credit (For individuals & LLC)	AGIT	Certification by IEDC; IN K-1 pass-through
818	Headquarters Relocation Credit (Availability beginning in 2006)	AGIT, FIT & INSUR	Proof of investment; IN K-1 pass-through
820*	Hoosier Business Investment Credit	AGIT, INSUR & FIT	Certification by IEDC & proof of investment; IN K-1 pass-through
822	Indiana Research Expense Credit	AGIT	Schedule IT-20REC; IN K-1 pass-through

<u>Identifier</u>	<u>Tax Liability Credits</u>	<u>Tax Offset</u>	<u>Required Attachment</u>
824*	Industrial Recovery Credit	AGIT, INSUR & FIT	Certification by IEDC & credit assignment
826*	Military Base Investment Cost Credit	AGIT	Certification by IEDC & credit assignment; IN K-1 pass-through
827*	Military Base Recovery Credit	AGIT, INSUR & FIT	Certification by IEDC & credit assignment, IN K-1 pass-through
829	Prison Investment Credit	AGIT	Verification by DOC, IN K-1 pass-through

Limited (Approved credits limited to the amount of grant money available.)

819	Historic Building Rehabilitation Credit	AGIT	Certification by Division of Historic Preservation & Archaeology; IN K-1 pass-through
832	Indiana Riverboat Building Credit	AGIT, INSUR FIT & SALES	Certification by IEDC, credit assignment & proof of investment
833	Teacher Summer Employment Credit	AGIT & FIT	Qualified Position Certificate by DOE
835*	Venture Capital Investment Credit	SALES, AGIT, INSUR & FIT	Certification by IEDC, credit assignment & proof of investment; IN K-1 pass-through
836	Voluntary Remediation Credit	All LISTED TAXES	Attach approval certificate, IN K-1 pass-through

**Additional restriction: Only one credit allowed for the same project.*

Type 1-C Credits for income and business activities of Indiana taxpayers

<u>Identifier</u>	<u>Tax Liability Credits</u>	<u>Tax Offset</u>	<u>Required Attachment</u>
<i>Unlimited (No dollar limit to the total amount of credits granted.)</i>			
802	Airport Development Zone Loan Interest Credit	AGIT, INSUR & FIT	(ADZ) Schedule LIC; IN K-1 pass-through
CCR 809	County Credit for the Elderly or Permanently Disabled <i>(For individuals only)</i>	CAGIT, COIT & CEDIT	Complete worksheet in IT-40/IT-40PNR Booklet
OOL 810	Credit for Local Taxes Paid Outside Indiana <i>(For individuals only)</i>	CAGIT & COIT	Complete worksheet in IT-40/IT-40PNR Booklet
OOS 811	Credit for Taxes Paid to Other States <i>(For individuals only)</i>	AGIT	Signed copy of return from other State
814	Enterprise Zone Loan Interest Credit	AGIT, INSUR & FIT	EZ Schedule LIC; IN K-1 pass-through

<u>Identifier</u>	<u>Tax Liability Credits</u>	<u>Tax Offset</u>	<u>Required Attachment</u>
837	Indiana College Choice 529 Savings Plan Credit <i>(For individuals filing single or married couples filing a joint return)</i> [Available in 2007]	AGIT	Proof of contribution to Indiana College Choice 529 Plan account.
821	Indiana Comprehensive Health Insurance Association Credit <i>(For insurance companies only)</i> [Available in 2007]	INSUR & AGIT	Complete IT-20 Schedule H when claiming credit on Form IT-20.
817	Indiana Insurance Guaranty Association Credit <i>(For insurance companies only)</i>	INSUR & AGIT	Complete Schedule H when claiming credit on Form IT-20.
816	Nonresident Taxpayer Credit <i>(For financial institutions only)</i>	FIT	Schedule FIT-NRTC
830	Rerefined Lubricated Oil Facility Credit	SALES, AGIT, FIT & INSUR	Certification by IEDC; IN K-1 pass-through
ST	Use Tax Credit	SALES	Complete Sales/Use Tax Worksheet in tax instruction booklets or file Form ST-115

Limited (Approved credits limited to the amount of grant money available.)

803	Blended Biodiesel Credits	SALES, AGIT, FIT & INSUR	Approved Form BD-100; IN K-1 pass-through
805	Coal Combustion Product Credit	AGIT	Approved Form CCP-100; IN K-1 pass-through
815	Ethanol Production Credit	SALES, AGIT, FIT & INSUR	Certification by IEDC; IN K-1 pass-through
825	Maternity Home Credit	AGIT	Approved application from Maternal & Child Health Division
831	Residential Historic Rehabilitation Credit <i>(For individuals only)</i>	AGIT	Certification by Division of Historic Preservation & Archaeology

Refundable Credits

Type 2-D Credits for personal and business activities of Indiana taxpayers

<u>Identifier</u>	<u>Tax Liability Credits</u>	<u>Tax Offset</u>	<u>Required Attachment</u>
<i>Unlimited (No dollar limit to the total amount of credits granted.)</i>			
EIC	Earned Income Credit <i>(For individuals only)</i>	AGIT	Schedule IN-EIC

<u>Identifier</u>	<u>Tax Liability Credits</u>	<u>Tax Offset</u>	<u>Required Attachment</u>
LAKE	Income Tax Credit for Property Taxes Paid on Homesteads in Lake County <i>(For individuals only)</i>	AGIT	Complete worksheet in IT-40/IT-40PNR Booklet
UTCE	Unified Tax Credit for the Elderly <i>(For individuals only)</i> [Restriction – Tax credit allowed only if claim is timely filed within six months from the end of the tax year or by the extended due date for filing the annual IT-40 return.]	AGIT	Follow instructions on IT-40/ IT-40PNR return unless qualified to file claim on Form SC-40
<i>Limited (Approved credits limited to the amount of grant money available.)</i>			
EDGE	Economic Development for a Growing Economy - Job Retention Credit	AGIT, INSUR & FIT	Letter of credit agreement from IEDC; IN K-1 pass-through

Type 2-E Credit for estimated and withholding taxes paid to Indiana*Unlimited (Credit allowed for the total amount of tax withheld or paid.)*

<u>Identifier</u>	<u>Tax Liability Credits</u>	<u>Tax Offset</u>	<u>Required Attachment</u>
EST	Credit for Estimated Tax Paid <i>(Refundable if claimed within three years of the due date, including extensions.)</i>	AGIT FIT URT	Follow instructions on annual income tax return to claim amount of estimated taxes paid for the taxable year.
WTH	Credit for State and County Income Taxes Withheld <i>(Refundable if claimed within three years of the due date, including extensions, except for withholding on wages which must be claimed within two years.)</i>	AGIT	Form(s) W-2, W2-G, WH-18, 1099, 1099R showing Indiana tax withheld.

III. HOW TO CLAIM CREDIT

To claim credits you must make application or follow claim procedures specified by each tax credit program. Complete the appropriate forms and provide all required supporting documentation. See www.in.gov/dor/reference/bulletins/index.html for additional information issued by the Department of Revenue, or contact the agency administering the credit to verify eligibility requirements and filing instructions.

Below is a list of tax credits and contact information for the administering agency of the credit.

Administering Agency

Indiana Department of Revenue

Taxpayer Services Division

100 N. Senate Ave.

Indianapolis IN 46204

(317) 232-2240

www.in.gov/dor

Indiana Department of Revenue

Coal Combustion Credit Room N-203

100 N. Senate Ave.

Indianapolis, IN 46204

(317)232-2339

www.in.gov/dor

Airport Development Authority

Gary Chicago International Airport

6001 W. Industrial Highway

Gary, IN 46406

(219) 949-9722

www.garyairport.com/development.asp

Tax Credit

- Charitable Contributions to Higher Education Institutions
- County Credit for the Elderly or Permanently Disabled
- Credit for Estimated Tax Paid
- Credit for Local Taxes Paid Outside Indiana
- Credit for Taxes Paid to Other States
- Credit for Taxes Withheld
- Earned Income Credit
- Indiana Research Expense Credit
- Income Tax Credit for Property Taxes Paid on Homesteads in Lake County
- Nonresident Taxpayer Credit
- Unified Tax Credit for the Elderly
- Use Tax Credit

- Coal Combustion Product Credit

For credits directly administered by other agencies, contact the state agency listed below that administers the tax credit in cooperation with the Department of Revenue.

- Airport Development Zone Employment Expense Credit
- Airport Development Zone Investment Cost Credit
- Airport Development Zone Loan Interest Credit

Administering Agency

Indiana Economic Development Corporation

One North Capitol, Suite 700

Indianapolis, IN 46204

(317) 232-8800

www.in.gov/iedc

Department of Natural Resources

Historic Preservation and Archaeology
Division

Indiana Government Center South

Room W-274

Indianapolis, IN 46204

(317) 232-1646

www.in.gov/dnr

Indiana Educational Savings Authority

One North Capitol, Suite 444

Indianapolis, IN 46204

(317) 232-5259

www.in.gov/iesa/

www.collegechoiceplan.com/

**Indiana Comprehensive Health Insurance
Association**

4550 Victory Lane

P.O. Box 33730

Indianapolis, IN 46203

(317) 614-2018

Tax Credit

- Blended Biodiesel Credits
- Capital Investment Credit
- Coal Gasification Technology Investment
- Community Revitalization Enhancement District Credit (CRED)
- Economic Development for a Growing Economy (Job Retention Credit)
- Enterprise Zone Employment Expense Credit
- Enterprise Zone Investment Cost Credit
- Enterprise Zone Loan Interest Credit (LIC)
- Ethanol Production Credit
- Headquarters Relocation Credit
- Hoosier Business Investment Credit
- Indiana Research Expense Credit (with regard to aerospace industry)
- Indiana Riverboat Building Credit
- Industrial Recovery Credit
- Rerefined Lubricated Oil Facility Credit
- Venture Capital Investment Credit
- Historic Building Rehabilitation Credit
- Residential Historic Rehabilitation Credit
- Indiana College Choice 529
- Savings Plan Credit
- Indiana Comprehensive Health Insurance Association Credit

Administering Agency

Indiana Life and Health Insurance

Guaranty Association
251 E. Ohio St. Suite 1070
Indianapolis, IN 46204
www.inlifega.org

Indiana Department of Health

Maternal & Child Health Division
2 N. Meridian St. 3rd Floor
Indianapolis, IN 46204
(317) 233-1253

Indiana Economic Development Corporation

Enterprise Zone Board
One North Capitol, Suite 600
Indianapolis, IN 46204
(317) 232-8800
www.in.gov/iedc

**Indiana Housing & Community
Development Authority**

Neighborhood Assistance Program
30 S. Meridian St., Suite 1000
Indianapolis, IN 46204
(317) 232-7777
(800) 872-0371 (outside Indianapolis)

Indiana Department of Correction

Office of the Commissioner
Indiana Government Center South
Room E-334
Indianapolis, IN 46204
www.in.gov/indcorrection/

Indiana Department of Education

Room 229 State House
Indianapolis, IN 46204
(317) 232-6676
www.doe.state.in.us/legal

Twenty-First Century Scholars Donations

State Student Assistance Commission
150 W. Market St., Suite 500
Indianapolis, IN 46204
(317) 233-2100

Tax Credit

- Indiana Insurance Guaranty Association Credit
- Maternity Home Credit
- Military Base Investment Cost Credit
- Military Base Recovery Credit
- Neighborhood Assistance Credit
- Prison Investment Credit
- Teacher Summer Employment Credit
- Twenty-First Century Scholars Program Support Fund

Administering Agency

**Indiana Department of Environmental
Management**

Indiana Government Center North

Room N-1101

Indianapolis, IN 46204

www.in.gov/idem

Tax Credit

- Voluntary Remediation Credit

A handwritten signature in black ink that reads "John Eckart". The signature is written in a cursive style with a large, looping initial "J".

John Eckart
Commissioner